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INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L JERUSALEM 001231

SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR
GOLDBERGER/SHAMPAINE/SACHAR; NSC FOR PASCUAL; TREASURY FOR
DAVIS/ROSE

E.O. 12958: DECL: 06/10/2013
TAGS: [ECON](#) [PTER](#) [ECPS](#) [KWBG](#) [KPAL](#)
SUBJECT: HAMAS PRESSURES PALTEL FOR CASH AND CONTROL

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

¶1. (C) Summary: Hamas is attempting to exert direct control and squeeze revenue out of the Palestine Telecommunications Company (PalTel) in Gaza. Following PalTel's refusal to meet Hamas' terms, armed Hamas officials raided PalTel offices and stores on July 6, forcing PalTel to close them temporarily. By July 10, PalTel's stores in Gaza were open again, according to company officials, and local PalTel officials were negotiating with Hamas. End summary.

Hamas looking for its cut...

¶2. (C) Palestinian Authority (PA) Ministry of Telecommunications and PalTel officials told Econoff on July 8 and 9 that Hamas is increasing pressure on PalTel to meet four demands: 1) increased revenue sharing payments to Hamas; 2) a 50-percent reduction in the charge for land-line accounts; 3) installation of internet filters; and 4) payment of PalTel bills through Hamas-controlled post offices. PA Deputy Minister of Telecommunications Zuhari estimates that, if Hamas is successful in securing the Gazan portion of the PalTel revenue sharing agreement, Hamas can expect to receive nearly USD eight million from PalTel in 2008. He said if PalTel customers are forced to pay their bills in post offices, instead of in PalTel stores as is current practice, Hamas would essentially garner control of PalTel's entire cash flow in Gaza.

¶3. (C) Zuhairi said that in May one of PalTel's directors, allegedly under duress in Gaza, signed an agreement with Hamas to meet these four demands. The PalTel Board of Directors rejected the agreement days later and said publicly that it had been signed under duress, without approval of the entire board, and therefore is null and void.

... storms PalTel stores when they refuse to pay

¶4. (C) In response, Hamas gunmen (allegedly from Hamas' "Ministry of Finance" in Gaza) entered several PalTel stores and offices in Gaza on July 6. PalTel officials report that Hamas demanded access to the stores' accounting records and cash supply. As a result, PalTel executives in Ramallah ordered the closure of most PalTel stores and offices in Gaza. A senior PalTel official in Ramallah said that Hamas had been pressing since May to get a portion of PalTel's revenue stream, "much the same way it had pressured Gaza bankers." Hamas, PalTel officials claim, has "now moved on to us."

¶5. (C) By July 10, PalTel's stores in Gaza were open again, according to the company's technical director, and negotiations between Hamas and PalTel are ongoing. Deputy

Minister Zuhairi said Hamas has threatened to take control of PalTel's telecom towers in Gaza if it does not comply with Hamas' demands.

WALLES